

TO: Secretary Paige  
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid  
RE: FSA Weekly Report  
DATE: February 3, 2003

### **THE WEEK AHEAD**

**Unqualified Audit Opinion:** ED and FSA have received a “clean” (unqualified) opinion on the FY02 financial statements. This has been a priority for ED and FSA and will contribute to student aid programs being removed from the GAO High Risk List.

**Default Presentation:** On February 4, FSA Student Credit Management will present at the 8<sup>th</sup> Annual Access Adjudications Seminar at the Energy Department’s Nevada Operations Office in Las Vegas. Attendees mainly are federal personnel who grant or deny security clearances and access to sensitive intelligence information. Our presentation will focus on defaulted student loans.

**OIG Audit of Debt Collection Contractors:** On February 5, an entrance conference is scheduled for the OIG audit of debt collection agency contractors. OIG’s objective is to determine the effectiveness of our contractor monitoring activities.

### **KEY NEWS**

**Competitive Acquisition Process for Direct Loan Servicing:** On January 31, ED said it would pursue a competitive process to obtain loan servicing services for the Direct Loan program. This is following a review of market research conducted by ED in response to a protest filed last year by SLM Corporation (Sallie Mae). Following a review of the protest, ED Deciding Official Judge Eric Andell concluded on July 18, 2002, that the Department “must analyze and determine its contractual needs for Direct Loan servicing for 2003 to 2007 and then conduct sufficient, objective market research and analysis to determine what approach will best satisfy those needs.” The SLM Corporation protest was filed because ED extended its contract with Affiliated Computer Services (ACS) without conducting a competitive acquisition process. ED will provide notice of further steps through the Federal Business Opportunities Web site (FEDBIZOPPS) at <http://www.eps.gov>.

### **PROGRAM INTEGRITY**

**Purchase Card Reconciliation:** For the month of January, FSA had a 100% on-time performance level for completing purchase card reconciliation. That compares to below 30% for last year. FSA has 60 purchase cardholders and 23 Approving Officials.

**Financial Reporting:** FSA is in the process of completing and submitting the 1<sup>st</sup> Quarter Treasury Reports for FFEL, Pell, and Direct Loans.

**FSA Financial Management System:** Progress continues on the project to add transaction IDs to all files sent and received from contractors and GAPS (Grant Administration & Payment System). This is essential to improving reconciliation procedures and enhancing internal controls.

**Default Recoveries for FY03:** Total default recoveries for the 1<sup>st</sup> Quarter of FY03 have reached \$360,156,476. Total non-consolidation recoveries are \$252,571,136. These totals are 15% and 40% higher, respectively, than the totals from the 1<sup>st</sup> Quarter of FY02. Combined Recoveries from our private collection agency efforts have reached \$296.8 million and are up 23% over the same period last year. Guaranty agency reports for the 1<sup>st</sup> Quarter reflect a significant drop in default recoveries gained through the use of Direct Loan consolidations. They are down over 25%.

**VSAC Review:** The only finding of substance from the week of January 13 review of the Vermont guaranty agency (VSAC) was that VSAC was overpaid \$80,000 in account maintenance fees. VSAC will repay the overpayment. We will also make recommendations for VSAC to update its IT disaster recovery plan, improve security in the systems development area, and increase electronic submissions and retrieval of NSLDS data.

**Computer-Based EDExpress Training:** FSA University has developed a computer-based training module for EDExpress. FSA U., FSA CIO, and one of our contractors (INDUS) are working together on deployment. Release is planned for February 28.

## **SYSTEMS INTEGRATION & NEW IT SOLUTIONS**

**FSA Integrated Vision Document:** On January 31, FSA CIO sent to COO Terri Shaw the initial version of the “Integrated Vision Document,” which will serve as the high-level visual plan for FSA systems integration.

**ED Investment Review Board:** On January 24, OM and FSA met to continue refinement of the ED IT Investment Management Process. We are nearing final agreement on implementation details.

**NSLDS Modifications:** FSA’s Financial Partners channel has put together a team to look at what modifications can be made to National Student Loan Data System (NSLDS) reporting on lenders and servicers.

**Enterprise Architecture Briefing for OMB:** On January 30, FSA participated with other ED offices in a presentation to OMB about ED’s approach to Enterprise Architecture. The presentation answered specific OMB questions and addressed concerns about FSA integration and collaboration with the rest of ED on Enterprise and Data Architecture.

## **e-GOVERNMENT**

### **e-Gov/eLoans:**

- On January 22, the eLoans team met with Council for Excellence in Government e-Gov Fellows Web Services team to discuss potential opportunities for them to provide analysis and support on the eLoans initiative. The Web Services team is developing a project proposal for identifying opportunities to use “Web services” (technology that allows computers to communicate between/across organizations regardless of network, system, device, language or application) in the business to government (“B2G”) lender reporting area. The proposal could include a pilot test.
- On January 29, the eLoans team met with OM Assistant Secretary Bill Leidinger to discuss funding commitments from ED and the partner agencies (HUD, SBA, USDA, VA) to support the project. The team discussed a draft interagency agreement for transferring committed funds between partner agencies.

### **OPERATIONS**

**IT Refresh:** On January 28, ED began its annual process of replacing one-fourth of its IT equipment. FSA Administration is overseeing the process for FSA. FSA’s assessment is to be completed by February 14.

### **PUBLIC AFFAIRS**

**Chronicle of Higher Education Interview:** FSA worked with OPA to facilitate an interview with COO Terri Shaw on the subject of “waste, fraud, and abuse.” The *Chronicle* article appeared in today’s issue.

### **ON THE HORIZON**

**GA Draft Default Rates:** FY01 Draft Cohort Default Rates for guaranty agencies (GAs) are scheduled to be released in mid-February.

**Pell Grant Unprocessed Deobligations:** February 17 is the deadline for taking “stop pay” action against schools participating in the Pell Grant program who have not resolved their Unprocessed Deobligations. On November 13, after two warning letters, ED notified over 500 schools that they would be put on stop pay unless they get their negative balances resolved.

**EZ-Audit:** On April 1, this new Web-based system for schools to electronically submit their financial statements and compliance audits goes live. User acceptance testing is scheduled for February 18-20 and 25-27. Training for all FSA users is scheduled to begin the week of March 12 in the Chicago regional office. The system will replace the manual process that Case Management & Oversight currently uses to receive compliance audits and financial statements from schools.

### **CONTACT INFORMATION**

Please contact Karen Santos Freeman at 377-4001 with any questions.